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IN THE
Supreme Court of the United States

OCTOBER TERM, 1991

CARDINAL CHEMICAL COMPANY, et al.,
Petitioners,

vs.

MORTON INTERNATIONAL, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**BRIEF OF AMICUS CURIAE
AMERICAN INTELLECTUAL PROPERTY
LAW ASSOCIATION IN SUPPORT OF
PETITIONERS**

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QUESTION PRESENTED

After an accused patent infringer has obtained from the district court a declaratory judgment that the asserted patent is invalid, may the Federal Circuit vacate that declaration as moot solely because it has determined that the patent has not been infringed?

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IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1992

No. 92-114

CARDINAL CHEMICAL COMPANY, a partnership,
W.M. QUATTLEBAUM, JR., DOROTHY
QUATTLEBAUM and W.M. QUATTLEBAUM, III,
individuals, CARDINAL MANUFACTURING CO. and
CARDINAL STABILIZERS, INC.,
Petitioners,

v.

MORTON INTERNATIONAL, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF AMERICAN INTELLECTUAL
PROPERTY LAW ASSOCIATION AS
AMICUS CURIAE IN SUPPORT
OF PETITIONERS

This amicus curiae brief is submitted in support of
the petition for a writ of certiorari. Both Petitioner and
Respondent have consented to the filing of this brief.

INTEREST OF THE AMICUS

The American Intellectual Property Law Association (AIPLA) is a national association of more than 7,000 members whose interest and practice lie in the areas of patent, copyright, trademark, trade secret and other intellectual property law. AIPLA's members include attorneys in private practice and those employed by corporations, universities and government. Unlike many other areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most, if not all, intellectual property law attorneys represent both plaintiffs and defendants.

AIPLA is deeply concerned about an issue of national public importance in this case. Specifically, if allowed to stand, the decision below would allow the Federal Circuit, with its exclusive appellate jurisdiction in patent cases, to continue its practice of routinely vacating declaratory judgments of patent invalidity in all cases where non-infringement is found. This practice eviscerates the Declaratory Judgment Act in patent cases, violates important public policy considerations, and wastes the resources of litigants and the courts.

The AIPLA joins Petitioners in urging this Court to grant a writ of certiorari and review the question presented for the following reasons: (1) the Federal

Circuit decision conflicts with decisions of this Court; (2) the question is an important one of federal law which has not been, but should be, settled by this Court; and (3) the interests of patent litigants and those in the business community represented by our members would be directly and adversely affected if the Federal Circuit decision were allowed to stand.

QUESTION PRESENTED

After an accused patent infringer has obtained from the district court a declaratory judgment that the asserted patent is invalid, may the Federal Circuit vacate that declaration as moot solely because it has determined that the patent has not been infringed?

SUMMARY OF ARGUMENT

The Federal Circuit routinely vacates declaratory judgments of patent invalidity whenever it has found that there is no infringement. That practice eviscerates the alleged infringer's remedy under the Declaratory Judgment Act, violates the public policy in favor of invalidating wrongfully-issued patents, and wastes the resources of litigants and the courts. Moreover, that practice finds no support in the mootness doctrine relied upon by the Federal Circuit as the basis for its practice. The practice presents a significant question of federal law, particularly because the Federal Circuit has

exclusive jurisdiction over appeals in patent cases and has now definitely decided not to reconsider its practice.

ARGUMENT

I. THE QUESTION PRESENTED SHOULD BE SETTLED BY THIS COURT

A. The Federal Circuit's Practice Has Evolved Into A Per Se Rule

Soon after the Federal Circuit was given exclusive subject matter jurisdiction over patent appeals in 1982, it began to review declaratory judgments of patent invalidity. The Federal Circuit's initial practice was almost uniform; it reviewed declaratory judgments of invalidity even after deciding that there was no infringement. *See, e.g., Mannesmann Demag Corp. v. Engineered Metal Products Co.*, 793 F.2d 1279 (Fed. Cir. 1986).

On June 16, 1987, the Federal Circuit issued two decisions that dramatically altered its practice. Those decisions held that when an accused infringer has obtained a declaratory judgment of invalidity, the Federal Circuit's determination of non-infringement requires that the declaratory judgment of invalidity be vacated. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987) (invalidity is "moot"); *Fonar Corp. v. Johnson*

& Johnson, 821 F.2d 627, 634 (Fed. Cir. 1987) (no "case or controversy" as to invalidity), *cert. denied*, 484 U.S. 1027 (1988).

Since then, the Federal Circuit has routinely vacated declaratory judgments of invalidity upon determining non-infringement. *See, e.g., Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir. 1988) (validity issue "moot"), *cert. denied*, 109 S. Ct. 793 (1989); *Perini America, Inc. v. Paper Converting Machine Co.*, 832 F.2d 581, 584 n.1 (Fed. Cir. 1987) (validity issue "moot"). As recognized by Chief Judge Nies, the Federal Circuit's practice of vacating declaratory judgments of invalidity has evolved into a *per se* rule. *See Denial of Suggestion for In Banc Consideration at 8* (Nies, C.J., dissenting).

B. This Case Demonstrates Why This Court Should Eliminate The Federal Circuit's Practice

The present respondent, Morton International, Inc., simultaneously pursued three patent infringement actions on its two patents. In the first to proceed to trial, the district court for the Eastern District of Louisiana held Morton's patents invalid and found them not infringed after an eight-day bench trial. The Federal Circuit affirmed the non-infringement finding and vacated the district court's judgment of invalidity. *Morton Thiokol*,

Inc. v. Argus Chemical Corp., 873 F.2d 1451 (Fed. Cir. April 3, 1989) (unpublished).

In the second action to be tried, the district court for the District of South Carolina held the patents invalid and found them not infringed after a five-day bench trial. Once again, the Federal Circuit affirmed the non-infringement finding and vacated the judgment of invalidity. *Morton Int'l, Inc. v. Cardinal Chemical Co.*, 959 F.2d 948 (Fed. Cir. 1992). One judge wrote separately to state his disagreement with the vacatur. *Id.* at 952 (Lourie, J., concurring).

Both Morton and Petitioners sought reconsideration and rehearing in banc on the panel's vacatur, without review, of the invalidity judgment. The Federal Circuit denied both petitions for rehearing in banc, with three judges dissenting. As Chief Judge Nies concluded in her dissenting opinion from the denial of rehearing in banc: "The parties can now look only to the Supreme Court for correction."

But more than the parties are looking to this Court for correction. Morton is asserting its twice-resurrected patents in the third action, which has been stayed pending this Court's disposition of the present petition. *Morton Int'l, Inc. v. Atochem North America, Inc.*, No. 87-60-CMW (D. Del.). The third defendant, like

Tantalus, may have to seek the elusive goal of patent invalidity. Because the Federal Circuit will not review its practice, only this Court can restore to accused infringers the right to invalidate a patent.

II. THE QUESTION PRESENTED IS AN IMPORTANT QUESTION OF FEDERAL LAW

A. The Federal Circuit's Practice Eviscerates The Declaratory Judgment Act

Congress enacted the Declaratory Judgment Act ("the Act") to provide a remedy to persons seeking a declaration of their rights in cases of actual controversy. 28 U.S.C. § 2201. No longer would these persons have to act at their peril or abandon their rights for fear of incurring damages. S. Rep. No. 1005, 73rd Cong., 2d. Sess.2 (1934). The Act greatly affected patent litigation by giving alleged infringers an opportunity to adjudicate the invalidity of asserted patents. As a result, the Act curbed patentees' notoriously-abusive practice of threatening competitors with patent infringement litigation. See *Arrowhead Industrial Water, Inc. v. Ecolchem, Inc.*, 846 F.2d 731, 734-35 (Fed. Cir. 1988); E. Borchard, *Declaratory Judgments* 802-04 (2d ed. 1941).

Soon after passage of the Act, an issue arose as to whether an alleged infringer could obtain a declaratory

judgment of patent invalidity even though the court had ruled that it did not infringe. In his definitive work on declaratory judgments, Professor Borchard, a drafter of the Act, expressed the prevailing view:

Having been forced into court by the patentee who necessarily relied on the validity of his patent, [the accused infringer] ought to be permitted to obtain an adjudication on the fundamental issue of validity -- important for his present and any other products which approximate the patented device -- and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.

E. Borchard, *supra*, at 815. The lower courts have often followed Professor Borchard's view. See, e.g., *Dale Electronics, Inc. v. R.C.I. Electronics, Inc.*, 488 F.2d 382, 390 (1st Cir. 1973).

The Federal Circuit's practice of routinely vacating declaratory judgments of invalidity whenever the patentee has failed to prove infringement denies the alleged infringer the remedy of invalidating the patent unless that alleged infringer has first been adjudged to be an infringer. Moreover, this practice allow a patentee stripped of its patent by a declaratory judgment of invalidity to regain its patent by losing the appeal of the non-infringement ruling.

The result of Morton's twice having lost the infringement issue on appeal is that its patents have been twice resurrected. Those two resurrections, which have allowed Morton to continue to pursue a third alleged infringer, demonstrate how the Federal Circuit's practice has eviscerated the Declaratory Judgment Act.

B. The Federal Circuit's Practice Violates Public Policy

Wrongfully-issued patents may hinder free competition in technologies which rightfully ought to be in the public domain. See, e.g., *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). To avoid this restriction, this Court has repeatedly recognized the public importance of invalidating wrongfully-issued patents. E.g., *Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892). Indeed, this Court has noted that, as between patent validity and infringement, "validity has the greater public importance." *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). By routinely vacating judgments declaring patents invalid without examining the judgments on the merits, the Federal Circuit routinely resurrects "invalid" patents, which may hinder what rightfully should be free competition.

It is a well-acknowledged fact that "patent litigation is a very costly process."¹ *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 334 (1971). The vacatur of a patent invalidity judgment gives the patentee an opportunity to waste the resources of competitors and the courts in subsequent litigation. But the practice is no boon to the patentee whose appeal of the invalidity judgment fell on deaf ears. The resurrected patent is in a state of limbo: declared invalid by the district court but resurrected by the appellate court without a ruling on the merits. Thus, the Federal Circuit's practice wastes the money and time spent by litigants on both sides and by district courts in adjudicating actions for declaratory judgment on the validity of patents.

A patentee's right to reassert the resurrected patent not only risks multiplying this waste in subsequent litigation, but may convince a third-party competitor not to sell products covered by the invalid patent, or may convince an alleged infringer to pay royalties under the

¹ Petitioners claim to have spent over \$1 million litigating the case through trial. The median cost of patent litigation through trial for the entire country is almost \$400,000. American Intellectual Property Law Association, *Report of Economic Survey 1991* 29 (1991).

invalid patent rather than challenge the patent's validity.² For this very reason, this Court held in *Blonder-Tongue* that a patentee is estopped to assert a patent once held invalid. 402 U.S. at 338.

The Federal Circuit's practice violates the policy of invalidating wrongfully-issued patents and wastes the resources of litigants, district courts and the public. These effects alone demonstrate that the Federal Circuit's practice should be overruled.

III. THE FEDERAL CIRCUIT'S PRACTICE CONFLICTS WITH APPLICABLE DECISIONS OF THIS COURT

A. The Federal Circuit's Practice Conflicts With This Court's *Altwater* Decision

This Court considered the application of the Declaratory Judgment Act to patent litigation in *Altwater v. Freeman*, 319 U.S. 359 (1943). In *Altwater*, the respondent sued for specific performance of a patent license agreement. Petitioners filed a counterclaim praying for, *inter alia*, a declaratory judgment of patent

² A final judgment of invalidity would free any existing licensees from the royalty obligation. *Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1255 (6th Cir. 1972). The Federal Circuit's practice keeps licensees under the yoke of patent license royalties until an adjudged infringer invalidates the patent.

invalidity. The district court held that the petitioners were not infringing, were therefore not breaching the license, and that the patents were invalid. Accordingly, the district court dismissed the complaint and granted the prayer of the counterclaim. The court of appeals affirmed but, on a petition for rehearing, ruled that there was no longer a justiciable controversy between the parties when it found no infringement, and thus vacated the invalidity judgment.

This Court granted certiorari because of the apparent misinterpretation by the appellate court of this Court's decision in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939), and ruled that:

[*Electrical Fittings*] was tried only on bill and answer. The District Court adjudged a claim of a patent valid, although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. But the situation in the present case is quite different. *We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity.*

319 U.S. at 363 (emphasis added; footnote and citations omitted).

Altwater recognized a significant difference between an alleged infringer's right to a declaratory judgment of invalidity, as involved in *Altwater*, and a mere defense of invalidity, as involved in *Electrical Fittings*. Accordingly, this Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a non-infringement finding.

Apparently, the Federal Circuit now interprets this Court's *Altwater* decision as holding that the controversy that precluded vacating the declaratory judgment of invalidity depended upon the presence of either claims or devices in addition to those involved in the non-infringement finding. See *Fonar*, 821 F.2d at 634 n.2; *Vieau*, 823 F.2d at 1518 (Bennett, J., concurring). This Court in *Altwater* merely stated, however, that "the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit." 319 U.S. at 363-64 (citation omitted). The Federal Circuit's interpretation of *Altwater* is incorrect, and the practice it

derives from that interpretation conflicts with this Court's holding in *Altwater*.³

B. The Federal Circuit's Practice Finds No Support In The Mootness Doctrine

Federal Circuit cases have attributed the practice to "jurisdictional mootness." That is, the court believes that the determination of non-infringement ends the controversy over validity. Of course, a controversy must be extant at all stages of appellate review, *Prieser v. Newkirk*, 422 U.S. 395, 401 (1975), including at "the time the federal court decides the case," *Burke v. Barnes*, 479 U.S. 361, 363 (1987). But, at the time the Federal Circuit decided the appeal in the present case, there was a controversy, one that continues today, and will continue, at the very least, until there is a final, nonappealable judgment of either non-infringement or invalidity. The Federal Circuit has confused a "judgment in favor of a party at an intermediate stage of litigation" with "the definitive mootness of a case or controversy which ousts the jurisdiction of the federal courts and requires dismissal of the case." *Deposit Guaranty*

³ Since *Vieau* and *Fonar*, the Federal Circuit has not, in a single reported case, decided the validity issue after finding no infringement. Indeed, as in the present case, the Federal Circuit no longer even considers whether other claims or devices exist, or whether there is any other circumstance which would provide a basis for a continuing controversy.

National Bank v. Roper, 445 U.S. 326, 335 (1980). Because the Federal Circuit is not the court of last resort, its determination of non-infringement cannot moot the claim for a declaratory judgment of patent invalidity. *Morton*, 959 F.2d 953 (Lourie, J., concurring).

Prudential concerns, such as judicial economy, may lead a court to decide only a dispositive issue and decline to decide another equally dispositive issue. This "prudential mootness" does not, however, justify the Federal Circuit's rote treatment of the invalidity judgment as moot merely because it has found the patent not infringed. Non-infringement is not a defense to, and thus cannot dispose of a claim for, a judgment of invalidity.

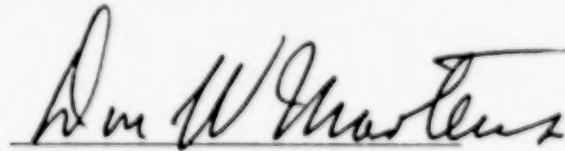
Even were non-infringement dispositive of a claim for a declaratory judgment of invalidity, however, public policy would require the Federal Circuit to review that judgment on its merits. See Part IIB. Indeed, this Court has admonished the lower courts to follow the "better practice" of inquiring fully into patent validity, whether or not the court has found infringement. *Sinclair*, 325 U.S. at 330. The Federal Circuit has repeated this admonition to the district courts. See, e.g., *Stratoflex v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983). This Court should take this opportunity to instruct the

Federal Circuit of its duty to review the invalidity issue, at least in cases where it arises in the form of a declaratory judgment.

CONCLUSION

This Court should grant Petitioners' request for a writ of certiorari to review the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity upon finding no infringement.

Respectfully submitted,



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